

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 412

(Delegate Krimm, *et al.*)

Ways and Means

Purse Dedication Account - Maryland Horse Industry Fund - Retired Racehorses

This bill requires 0.5% of funds from the Purse Dedication Account (PDA) to be distributed to the Maryland Horse Industry Fund (MHIF) before other distributions are made. The Maryland Horse Industry Board must use the PDA funds distributed to MHIF for grants to be used for the care, retraining, and promotion of retired racehorses; sanctuary thoroughbreds; and support of equine-assisted therapy programs using sanctuary thoroughbreds. At the end of a fiscal year, any unspent or unencumbered balance of MHIF from the PDA funds must revert back to PDA. **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: No overall impact on State finances. Special fund revenues and expenditures for MHIF within the Maryland Department of Agriculture (MDA) increase by about \$350,000 annually beginning in FY 2021. Special fund revenues and expenditures for the Maryland Department of Labor (MDL) decrease by a corresponding amount. MDA can administer the additional funds in MHIF with existing resources.

Local Effect: None.

Small Business Effect: Minimal.

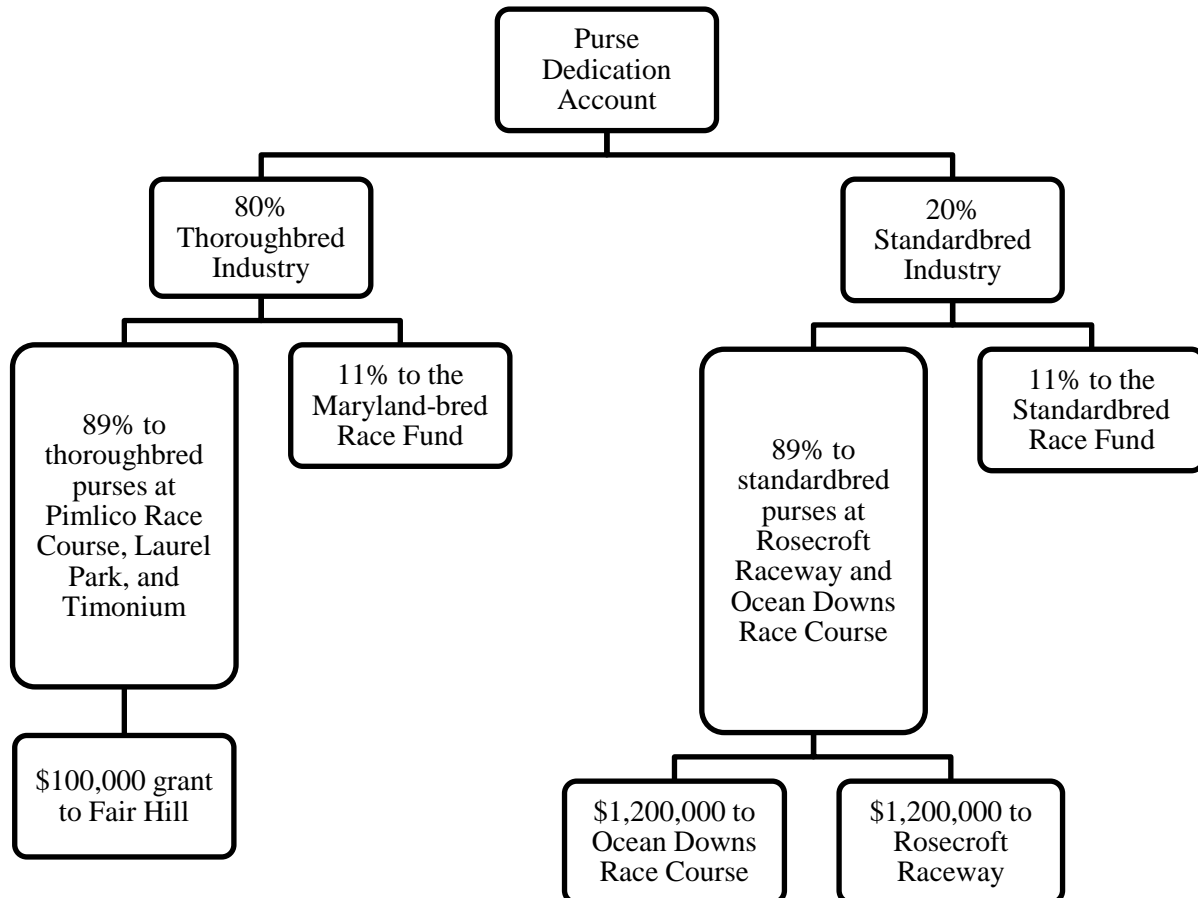
Analysis

Current Law/Background:

Purse Dedication Account

Generally, 6% of video lottery terminal proceeds, not to exceed \$100 million, is distributed to PDA, which is under the authority of the State Racing Commission. PDA is projected to receive \$68.4 million in fiscal 2021. **Exhibit 1** shows how funds in PDA are distributed. The State Racing Commission must allocate 80% of the funds in PDA to the thoroughbred industry and 20% to the standardbred industry. Of those amounts, 89% goes directly to purses and 11% to the respective bred race funds.

Exhibit 1
Distribution of Funds within the Purse Dedication Account



Source: Department of Legislative Services

Maryland Horse Industry Board

The Maryland Horse Industry Board is responsible for licensing and inspecting horse stables, advising MDA regarding matters affecting the horse industry in the State, and undertaking various efforts in support of the horse industry. The operations of the board are supported by MHIF, which receives revenues from licensing and inspection fees collected by the board and an assessment on commercial equine feed sold in the State. The revenues generated from the commercial equine feed assessment may only be used for education, research, and promotional materials and activities intended to benefit the Maryland equine industry. Money in the fund must generally be used to fulfill the statutory duties of the board.

State Fiscal Effect: The bill has no overall impact on State finances. Revenues and expenditures for MHIF, within MDA, increase by approximately \$350,000 annually beginning in fiscal 2021. Revenues and expenditures for PDA, within MDL, decrease by a corresponding amount. Thus, PDA distributions to the thoroughbred industry decrease by approximately \$273,700, and distributions to the standardbred industry decrease by approximately \$68,400 in fiscal 2021. **Exhibit 2** shows the change in the estimated distribution of PDA revenues for fiscal 2021 through 2025.

Exhibit 2
Fiscal Effect of Legislation
Fiscal 2021-2025

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
MHIF	\$342,107	\$346,100	\$350,555	\$364,253	\$368,923
Thoroughbred Industry	(273,686)	(276,880)	(280,444)	(291,403)	(295,138)
Standardbred Industry	(68,421)	(69,220)	(70,111)	(72,851)	(73,785)

MHIF: Maryland Horse Industry Fund

Note: Numbers reflected may not show the full offsetting impact due to rounding.

Source: Department of Legislative Services

Additional Information

Prior Introductions: A similar bill, HB 1232 of 2018, had a hearing in the House Ways and Means Committee and was subsequently withdrawn.

Designated Cross File: None.

Information Source(s): Comptroller's Office; Maryland Department of Agriculture; Maryland Department of Labor; Department of Legislative Services

Fiscal Note History: First Reader - February 10, 2020
rh/jrb

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